

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

Senate Bill 788

(Senator Eckardt)

Budget and Taxation

Ways and Means

**Income Tax – Credits for Preceptors in Areas With Health Care Workforce Shortages**

This bill creates a nonrefundable credit against the State income tax for a licensed physician, physician’s assistant, or nurse practitioner who serves without compensation as a physician assistant preceptor in an approved preceptorship program. The Maryland Department of Health (MDH) may issue up to \$100,000 in tax credits in each tax year. The State Board of Physicians must assess a \$15 fee for the renewal of a physician assistant license to be paid to the Physician Assistant Preceptorship Tax Credit Fund to offset the costs of the physician assistant preceptor tax credit. The bill also repeals the termination dates of the licensed physician and nurse practitioner preceptor tax credits. **The bill takes effect July 1, 2020, and applies to tax year 2021 and beyond.**

**Fiscal Summary**

**State Effect:** Special fund revenues and expenditures at MDH may increase by up to \$300,000 annually beginning in FY 2022 due to the establishment of the physician’s assistant tax credit and extension of the physician and nurse practitioner tax credits.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$0	\$300,000	\$300,000	\$300,000	\$300,000
SF Expenditure	\$0	\$300,000	\$300,000	\$300,000	\$300,000
Net Effect	\$0	\$0	\$0	\$0	\$0

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The licensed physician, physician assistant, or nurse practitioner must have served without compensation as a preceptor in a preceptorship program approved by MDH and worked (1) at least three rotations with each rotation consisting of 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

MDH must issue a credit certificate of \$1,000 for each student for whom the applicant served as a physician assistant preceptor without compensation, not to exceed \$10,000 per applicant.

Tax credit applications are approved on a first-come, first-served basis until the maximum authorized credits are awarded. If the aggregate amount of tax credit certificates issued in a year is less than \$100,000, the excess amount may be issued in the next taxable year. MDH must (1) report to the Comptroller and the General Assembly by January 31 of each year on the credit and (2) in consultation with the Governor's Workforce Development Board, adopt regulations to implement the credit.

**Current Law/Background:** Chapters 385 and 386 of 2016 established nonrefundable tax credits against the State income tax for a licensed physician or nurse practitioner who serves without compensation as a preceptor in an approved preceptorship program. To qualify, the licensed physician or nurse practitioner must have served without compensation as a preceptor in a preceptorship program approved by the State Board of Nursing and worked (1) at least three rotations with each rotation consisting of 100 hours of community-based clinical training and (2) in an area identified as having a health care workforce shortage.

Each year, MDH may issue up to \$100,000 for each of the physician preceptorship credits and nurse practitioner preceptorship credits. Tax credit applications are approved on a first-come, first-served basis until the maximum limit of \$100,000 for the year is reached for each credit. Tax credits may be awarded through tax year 2020.

The Acts established a \$15 fee for the renewal of an advanced practice registered nurse certificate of a nurse practitioner and created a Nurse Practitioner Preceptorship Tax Credit Fund. The fee must be distributed to the fund, which is intended to offset the costs of the nurse practitioner preceptor tax credit. In addition, unspent Health Personnel Shortage Incentive Grant (HPSIG funds) may be transferred or reverted to the general fund to offset the costs of the physician preceptorship tax credit.

MDH reports that in tax year 2019 the department approved 34 applications and awarded a total of \$149,000 in tax credits, \$68,000 of which was awarded to licensed physicians and \$81,000 to nurse practitioners.

**State Revenues:** The bill establishes a physician assistant preceptorship tax credit and repeals the termination dates of the licensed physician and nurse practitioner tax credits. MDH may award a maximum of \$100,000 in tax credits for each tax credit. It is assumed that the maximum amount of tax credits will be awarded in each year and special fund revenues are sufficient to cover tax credit awards. The estimate also assumes that physician assistant renewal license fees will be assessed beginning in fiscal 2022. As a result, MDH special fund revenues and expenditures will increase by \$300,000 annually beginning in fiscal 2022.

To the extent the maximum amount of tax credits is not awarded, special fund revenues and expenditures will be less than estimated.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Comptroller's Office; Maryland Department of Health; Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2020  
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